

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5350-01  
Bill No.: HB 1879  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: January 7, 2016

Bill Summary: This proposal places a cap on the state adequacy target used to determine state aid to schools.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue*	\$80,000,000	\$80,000,000	\$80,000,000
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$80,000,000</b>	<b>\$80,000,000</b>	<b>\$80,000,000</b>

**\*Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded (§163.011). Oversight, for fiscal note purposes, is showing the impact of those provisions as if the formula were fully funded.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>(\$80,000,000)</b>	<b>(\$80,000,000)</b>	<b>(\$80,000,000)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**Oversight** notes the current State Adequacy Target is \$6,716 per student and current statute allows that rate to be adjusted. Beginning in Fiscal Year 2017, this proposal would cap the State Adequacy Target at \$6,000 and no longer allow for adjustments. This would result in a savings to General Revenue and a loss to the school districts of \$80 million.

Officials at the **Department of Elementary and Secondary Education (DESE)** assume a cap of \$6,000 is place on the State Adequacy Target for any year after 2017. This will reduce the formula call and in turn require less money to fund the formula. The reduction, based on the December 2015 payment, would result in an approximately \$80,000,000 savings for the state.

Officials at the **Office of Administration's Division of Budget and Planning** defers to DESE for fiscal impact.

**Oversight** notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal has a provision that may not have a fiscal impact until such time as the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**GENERAL REVENUE**

<u>Savings - DESE - reduction in the State Adequacy Target Rate</u>	<u>\$80,000,000</u>	<u>\$80,000,000</u>	<u>\$80,000,000</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE*</b>	<b><u>\$80,000,000</u></b>	<b><u>\$80,000,000</u></b>	<b><u>\$80,000,000</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>SCHOOL DISTRICT FUNDS</b>			
<u>Loss - School Districts - lower State Adequacy Target Rate</u>	<u>(\$80,000,000)</u>	<u>(\$80,000,000)</u>	<u>(\$80,000,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUNDS</b>	<b><u>(\$80,000,000)</u></b>	<b><u>(\$80,000,000)</u></b>	<b><u>(\$80,000,000)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill places a cap of \$6000 on the state adequacy target used to determine state aid to schools.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Office of Administration's Division of Budget and Planning



Mickey Wilson, CPA  
Director  
January 7, 2016

Ross Strobe  
Assistant Director  
January 7, 2016